

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
EB-08 OMB-01 TRSE-00 IGA-02 AID-05 OPIC-03 XMB-02
/080 W

-----130643 121926Z /44

P R 121800Z JAN 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 4352
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOWCOW
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER
USNMR SHAPE BRUSSELS BEL
AMCONSUL OPORTO

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0302

E.O. 11652: XGDS-3
TAGS: PGOV, PINT, PO
SUBJECT: NEW GOVERNMENT: SOCIALIST LEADER SAYS PACT
SEALED WITH CDS

SUMMARY: SOCIALIST LEADER SALGADO ZENHA SAYS
PROGRAMMATIC ACCORD HAS BEEN CONCLUDED BETWEEN PS AND CDS.
SOARES IS NOW PERSONALLY HANDLING DIVISION OF CABINET
POSITIONS, WITH CDS PROBABLY GETTING THREE PORTFOLIOS.
PLACING AMARO DA COSTA, HOWEVER, IS PROVING TROUBLESOME.
FORMAL ANNOUNCEMENT OF PS/CDS GOVERNMENT MAY BE MADE
JANUARY 13. END SUMMARY.

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1. CHARGE DISCUSSED FORMATION OF NEW GOVERNMENT JAN. 12
WITH SOCIALIST LEADER SALGADO ZENHA.

2. PS/CDS ACCORD: ZENHA SAID THAT THE SOCIALISTS
AND CENTER DEMOCRATS HAVE SEALED THEIR PROGRAMMATIC
AGREEMENT. THE COVERING ACCORD IS A LENGTHY,
SPECIFIC DOCUMENT.

3. CABINET COMPOSITION: STILL SICK IN BED WITH THE FLU, SOARES IS PERSONALLY HANDLING DIVISION OF CABINET SLOTS WITH THE CENTER DEMOCRAT LEADERS. FREITAS DO AMARAL WILL NOT BE IN THE CABINET, BY HIS CHOICE. THE OTHER TWO MEMBERS OF THE RULING CDS TRIUMVIRATE, AMARO DA COSTA AND BASILIO HORTA, MAY BOTH WIND UP IN THE CABINET. IN ANY CASE ONE CERTAINLY WILL. FINDING A PLACE FOR COSTA IS PROVING TROUBLESOME: HE IS INSISTING ON THE FOREIGN MINISTRY WHICH THE SOCIALISTS ARE VERY RELUCTANT TO GIVE. THE PS FEELS (CORRECTLY) THAT MARIO SOARES WILL BE HIS OWN FOREIGN MINISTER NO MATTER WHO THE OCCUPANT OF THE SLOT IS. THIS ALREADY LED TO TROUBLE WITH MEDEIROS FERREIRA. THE SOCIALISTS DO NOT WANT TO MULTIPLY THEIR PROBLEMS BY THE FRICTION THAT WOULD INEVITABLY BE CREATED BETWEEN SOARES AND COSTA IF THE LATTER WERE FOREIGN MINISTER. SO THE PROBLEM REMAINS TO BE SOLVED. SOARES ALREADY OFFERED COSTA THE MINISTRY OF EDUCATION, AN AREA IN WHICH HE HAS COMPETENCE, BUT COSTA REFUSED.

4. THE CENTER DEMOCRATS THIRD MAN, HORTA, HAS BEEN OFFERED THE MINISTER OF INDUSTRY AND TECHNOLOGY AND HE IS THINKING IT OVER. ALSO LIKELY TO ENTER THE NEW CABINET IS CDS DEPUTY NUNO ABECASSIS. (INA SEPARATE CONVERSATION JAN 12, SOCIALIST DEPUTY GUTERRES
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TOLD ECONOMII COUNSELOR THAT THE CDS WOULD RECEIVE THREE CABINET-LEVEL SLOTS.)

5. PS/PCP UNDERSTANDING: ZENHA, A STAUNCH AND OUTSPOKEN ANTI-COMMUNIST, WAS ABIVALENT ABOUT A SIDE AGREEMENT BETWEEN THE PS AND THE OPPOSITION PCP. HE OPPOSED IT ON PRINCIPLE BUT RECOGNIZED THAT THE SOCIALISTS WERE PROBABLY RIGHT IN GIVING THE PCP THE FEELING THAT THEY WERE NOT SHUT OUT ENTIRELY FROM THE POLITICAL PROCESS. THIS, HE SAID, WAS MORE A GESTURE TO THE COMMUNIST RANK AND FILE, WHOM THE SOCIALIST STILL HOPE TO WIN OVER, THAN TO THE PARTY LEADERSHIP. IN ANY CASE, HE NOTED THAT THE SOCIALISTS WOULD INSIST THAT THE COMMUNISTS EXPLICITLY EXPRESS THEIR SUPPORT FOR A GOP/IMF AGREEMENT AND A GOP AUSTERITY PROGRAM. (ACCORDING TO GUTERRES, OTHER FACETS OF THE AGREEMENT ARE AN ANODYNE STATEMENT ON GUARANTEEING THE DEMOCRATIC PROCESS AND A PS ASSURANCE THAT AGRARIAN REFORM MEASURES WILL BE IMPLEMENTED IN MEASURED FASHION.)

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P R 121800Z JAN 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 4353
INFO AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 0302

6. THE IMF: ZENHA NOTED THAT REGARDLESS OF THE SPECIFIC COMPOSITION OF THE PS/CDS GOVERNMENT, THE REALITY WAS THAT PORTUGAL WOULD SOON RETURN TO THE NEGOTIATING TABLE WITH THE IMF. THE FUND WOULD BE CONCERNED WITH THE FACTS AND FIGURES--PROPERLY SO. I CONCURRED WITH HIS JUDGMENT.

7. LONGEVITY OF NEW GOVERNMENT: ZENHA SAID HE THOUGHT THE ANNOUNCEMENT OF THE GOVERNMENT WOULD COME JAN. 13 WHEN SOARES RISES FROM HIS SICKBED. WHEN I ASKED HIM WHAT HE THOUGHT OF THE GOVERNMENT'S PROSPECTS FOR LONGEVITY, ZENHA WAS CAUTIOUS. HE WAS FRANK TO ADMIT THAT MANY COMPROMISES IN PRACTICE WOULD BE NECESSARY FOR THE SOCIALIST-CENTER
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DEMOCRAT GOVERNMENT TO PROSPER. HE WAS MORE HOPEFUL THAN CONFIDENT.

COMMENT: AS THE SECOND MAN IN THE SOCIALIST PARTY, ZENHA
IS PROBABLY CLOSER TO SOARES THAN ANYONE DESPITE THE
PRONOUNCED DIFFERENCE IN THEIR TEMPERAMENTS. THE COMBATIVE
ZENHA'S RECOGNITION FOR THE NEED TO COMPROMISE IS A POSITIVE
SIGN, AS IS HIS RECOGNITION OF PORTUGAL'S FACING
ECONOMIC REALITY.
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